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ROI vs ROAS

What's the Right KPI for Your Marketing Campaigns?

Because measuring the right thing is what your campaign needs.

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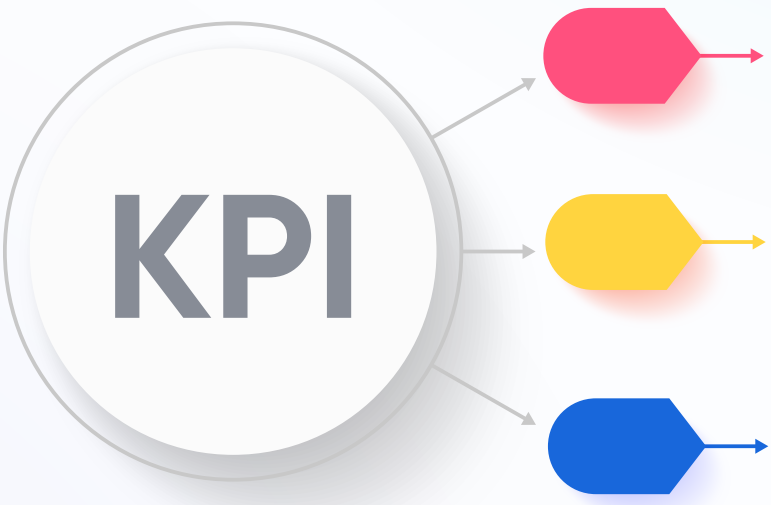
Why Choosing the Right KPI Matters

In performance marketing the data you have is only useful if you are tracking the right metrics. One mistake marketers make is using ROI and ROAS interchangeably.

Although both ROI and ROAS are key metrics, they answer different questions about your business and by mixing them up brands can end up wasting money on campaigns that are not working.

Things that can go wrong without differentiating between ROI and ROAS:



High ROAS masking negative ROI: A campaign generating $5 for every $1 in ad spend might look good on the surface but if you factor in all the costs you might actually be losing money.

Optimizing for the wrong goal: ROAS is useful in ensuring your campaigns are running efficiently but optimizing one while ignoring the other creates an incomplete picture.

Scaling losing campaigns: Marketers often scale campaigns that drive revenue but destroy margin which can be dangerous as your business grows.

Thus, the solution is not to choose one metric over the other but to understand when and how to use each one. This way you can make the right decisions to achieve your marketing goals.

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ROI vs ROAS: Understanding the Difference

Think of ROI indicating the score of a game and ROAS representing a player's stats. While the latter tells you how well a specific campaign is doing, the former indicates your overall marketing returns.

What is ROI?

ROI is a metric that measures how profitable your marketing efforts are. It takes into account all the costs such as the money you spend on ads, salaries, and overhead costs. The formula for ROI that businesses use is:

$$\text{ROI} = \frac{\text{Net Profit}}{\text{Total Investment}} \times 100$$

What is ROAS?

ROAS is a key metric that measures how much money brands make from each dollar they spend on ads. It is used to see if campaigns are running efficiently, which is often expressed as a ratio.

$$\text{ROAS} = \frac{\text{Revenue from Ad Campaign}}{\text{Cost of Ad Campaign}}$$

How They Differ

Although ROI and ROAS are complementary metrics, they serve different purposes. While ROI tells you if your marketing is profitable. ROAS tells you if they are running efficiently.

ROI is like a zoomed-out view of your business. It takes into account all the costs. Tells you if your marketing is actually making money.
A good benchmark for ROI is considered to be 5:1. This means you are making five dollars for every dollar you spend. Whereas ROAS is like a zoomed-in view of your campaigns. It tells you if your ads are making profits, with a good benchmark for ROAS being 4:1.
However, it's important to consider that a good ROAS does not necessarily mean you have a positive ROI. You might have a campaign that is making a lot of money, but if your costs are too high, you might still be losing money.

How to Track Both ROI and ROAS Accurately

The biggest barrier to using these metrics effectively is having the right infrastructure to measure them accurately:

- **Move Past Last-Click Attribution:** Last-click attribution inflates bottom-funnel channels and undervalues awareness stages, directly distorting both ROAS and ROI. Switch to multi-touch attribution models to fairly credit every touchpoint.
- **Centralize Your Cost Data:** ROAS only captures ad spend. For accurate ROI calculations, have a holistic view of all marketing costs like agency retainers, creative production, and even salaries.
- **Connect Revenue to Real Profit:** Revenue is not profit; account for fulfillment costs, refunds, and chargebacks if you want actual ROI calculations.
- **Segment by Audience and Channel:** A high-ROAS campaign targeting deal-seekers may generate customers with low LTV and high churn. Segmenting by cohort, channel, and campaign type reveals where you're truly building business value.
- **Build Custom Dashboards:** Provide ROAS dashboards for performance teams' needs and ROI dashboards for finance teams. Role-specific reporting ensures decisions are made with the right context.

How Trackier Supports ROI and ROAS Measurement

The real challenge is finding the right platform to measure, optimize, and act on both metrics. Trackier is a platform that helps brands measure and optimize campaigns, offering total visibility into all aspects of campaign performance and driving real business value.

Features Offered by Trackier for Tracking **ROI & ROAS**

Multi-touch attribution that accurately shows channel-level ROAS and campaign-level ROI.

Custom reporting dashboards to create role-specific views for **performance teams, finance, and leadership** so everyone can measure what matters most.

Affiliate and partner segmentation to automatically segment partners by revenue contribution, traffic quality, and **ROAS** to figure out which relationships really drive business value.

Reward and commission automation that connects payouts to milestones aligned with **ROI** using structured commission rules, bonuses, and tiered incentives.

Real-time performance monitoring to keep track of both ROAS efficiency and overall **ROI in real time,** with alerts that help your team stay ahead of the data.